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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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Gasoline Use Declines . . .

Despite the reduction in inflation pressures derived from declining petroleum and product prices, the opposite could eventually occur if American consumers and industry abandon the substantial conservation efforts made in recent years. Such a development, together with production cutbacks now being imposed by the OPEC producers, could eliminate the global oil glut before long and lead to renewed upward pressures on oil prices. Fortunately, there are few signs on the horizon that this trend has begun to occur. This is because oil prices have not declined long enough, and far enough, to make much difference—yet.

In the United States, consumption continues to ease due to both the steep slump in economic activity and past conservation efforts. Petroleum demand averaged around 16 million barrels per day in 1981, well below the record 19 million barrels per day consumed in 1978—and about eight per cent below the volume consumed in 1973. Moreover, whereas petroleum had accounted for close to one-half of U.S. energy requirements in 1973, by last year it had dropped to nearly 40 per cent. Contributing to the decline in the relative importance of oil was a reduction in residual fuel oil demand by electric utilities: Both coal and nuclear power are now generating a much larger proportion of the nation's electricity.

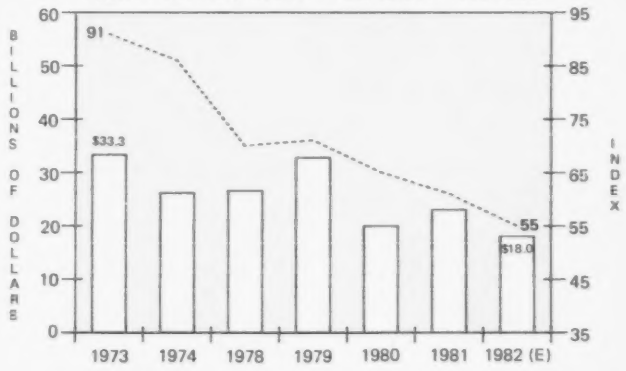
PASSENGER CAR EFFICIENCY

Year	Average Miles Traveled per Auto	÷	Average Number of Gallons Consumed per Auto	=	Average Miles Traveled per Gallon
1973	9,992		763		13.1
1977	9,839		706		13.9
1978	10,046		715		14.1
1979	9,485		664		14.3
1980	9,135		603		15.1
1981(e)	9,200		585		15.7

Sources: Federal Highway Administration; Department of Energy

Perhaps the most significant conservation efforts, however, have resulted from efforts made by both the much-maligned American motorist and the domestic automobile industry. For despite an almost 25 per cent rise in the number of automobiles in use between 1973 and 1981, and only an eight per cent drop in the average number of miles traveled per car between these two years, consumption of motor gasoline in the U.S. was actually lower last year than in 1973. In 1981, gasoline consumption averaged about 6.6 million barrels per day, compared with the 6.7 million barrels per day consumed in 1973.

NET FARM INCOME (BAR) VS. PARITY RATIO (1910-14 = 100) (DOT): 1973-1982



. . . While Driving Picks Up

What this suggests, obviously, is that a substantial improvement in the fuel efficiency of the typical American automobile has taken place since 1973. Indeed, as shown in the table, the average number of miles traveled per gallon of fuel consumed is estimated to have increased by almost 20 per cent between 1973 and 1981. What is even more remarkable is that this occurred against the backdrop of extremely sluggish levels of new automobile sales—a situation which undoubtedly retarded the shift from older vehicles to new, more fuel-efficient models.

Nor are these improvements likely to be erased anytime soon. For example, although the average number of miles traveled per auto increased last year—the first annual rise since 1978—gasoline consumption per passenger car continued to drop. What is more, at present fuel efficiency levels and

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miles traveled, almost ten million more passenger cars could be placed on America's highways before gasoline consumption would exceed 1973 levels. Thus, even if more driving does occur this spring and summer as gasoline prices drift lower, it is hardly likely that a return to the energy profligacy of the early 1970s is anywhere near at hand.

The American Farmer . . .

If only the news from the farm was as bright. According to the Agriculture Department, farm prices resumed their descent in March, falling 0.8 per cent month-over-month, following an equal-sized increase in February. But with the exception of January and February of this year, when farm prices were temporarily boosted due to the damage arising from severe winter weather conditions in many areas of the country, prices received by farmers have either remained flat or declined for 14 of the past 16 months.

It now appears that this year will be similar, in a variety of disturbing ways, to 1981. With domestic demand for farm and ranch products adversely affected by recession and slower personal income growth while foreign demand remains soggy due to similarly weak business conditions abroad as well as the soaring external value of the dollar, it seems likely that the growth of farm incomes will once again be unable to keep pace with the rise in pro-

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 3/24/82	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	134.396	+ .294	+ 6.936
Loans to Depository Inst.	1.654	+ .190	+ .784
Float	2.101	– .052	– .795
Total Reserve Bank Credit	147.263	+ .481	+ 5.776
Treasury Deposits with Federal Reserve Banks	3.329	+ .255	+ .087
Currency Outside Banks	126.845	+ .438	+ 6.601
Member Bank Reserves:			
Required	38.865	– .048	– .661
Excess (Deficiency)	.254	– .083	+ .194
Total Reserves Held	39.119	– .131	– .467
Net Borrowed Reserves	1.227	+ .287	+ .617
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	93.550	+ .871	– 4.759

		% Change Since Three Months Ago*	% Change Since Year Ago
Monetary Aggregates†			
M1	445.9	+ 7.4‡	+ 5.7‡
M2 (February '82)	1,847.5	+ 8.4	+ 10.1
M3 (February '82)	2,214.6	+ 7.4	+ 10.6
L (November '81)	2,627.2	+ 10.5	+ 11.7

†Seasonally adjusted. *Seasonally adjusted annual rate. ‡Four-week moving average.

New York Money Market

	3 Months	6 Months	1 Year
Offering Rates 4/2/82			
‡U.S. Treasury Bills	13.20%	13.00%	12.60%
* Federal Agencies	13.75	14.10	14.15
* Project Notes–Taxfree (46% Taxable Equivalent)	13.61	16.02	NA
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market–Prime	14.85	14.65	15.00

‡Finance Company Paper–Prime		‡* Bankers' Acceptances	
5- 14 days	14.38%	May	14.40%
15- 29 days	14.38	Jun.	14.20
30- 59 days	14.50	Jul.	14.10
60- 89 days	14.00	Aug.	13.95
90-179 days	13.75	Sep.	13.70
180-239 days	13.25	Oct.	13.60
240-270 days	13.25		

‡Industrial Paper–Prime			
30- 89 days	14.63%	†Federal Funds Effective Rate	15.90%
90-120 days	14.13		

‡Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	4th Q'81	$ 2,998	$ 2,965	$ 2,731
Gross National Product (1972 Dollars)*	4th Q'81	$ 1,498	$ 1,516	$ 1,486
Percent Change, Annual Rate	4th Q'81	– 4.5	1.4	3.8
Change in Consumer Prices (all urban consumers)*	Feb '82	2.4%	3.6%	12.0%
Change in Producer Prices*	Feb '82	– 1.2%	4.8%	9.6%
Civilian Employment (Thousands of Persons)†	Mar '82n	99,492	99,590	100,406
Unemployment as % of Civilian Labor Force†	Mar '82n	9.0%	8.8%	7.3%
Personal Income*	Feb '82	$ 2,510	$ 2,498	$ 2,318
Leading Indicators Composite Index (1967=100)†	Feb '82n	124.9	125.3	134.2
Industrial Production Index (1967=100) †	Feb '82	141.8	139.6	151.8
Net Change in Consumer Installment Credit†	Jan '82	$ 0.44	–$ 0.03	$ 1.21
U.S. Merchandise Trade Balance †	Feb '82n	–$ 0.39	–$ 4.09	–$ 2.13
Plant and Equipment Expenditures*	2nd Q'82	$336.77	$345.46	$316.73
Private Housing Starts (Thousands of Units)*	Feb '82	953	895	1,294
New Construction Expenditures*	Feb '82n	$ 230.4	$ 232.7	$ 254.5
Total Business Inventories†	Jan '82	$ 509.7	$ 511.8	$ 478.5
Total Business Sales†	Jan '82	$ 336.9	$ 342.3	$ 352.5

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. a-Anticipated.

duction expenses. For although production costs are expected to post only modest gains this year (increasing by about six per cent year-over-year, the slowest rate of rise since 1975), due to softening energy and feed prices, farm receipts could well expand at only half this rate.

This suggests that farmers' net incomes will remain tightly squeezed this year. Farm income may total only $18 billion in 1982, some 20 per cent below the weak 1981 level and the lowest since 1971. And with prices paid by farmers continuing to escalate, the parity ratio—which, by relating prices received by farmers to prices paid, is a measure of their buying power at any given time compared with a 1910-14 benchmark period—fell in March to its lowest level since the Great Depression. (See chart on page 1.)

. . . Goes Down For The Count

As a result, it is hardly surprising that many farmers plan to drastically curtail spring plantings. Furthermore, in an effort to trim costs, some have even cut back on fertilizer purchases. While such actions may eventually boost farm prices and incomes after existing supplies of foodstuffs are worked down, they are unlikely to do so soon. In the interim, the effects will largely be negative. To help bridge the gap between receipts and expenses, total farm debt will probably take another giant leap upward in

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (3/17/82)	132,586	– 869	+20,865
New York City (3/17/82)	32,983	+ 227	+ 5,402
Commercial Paper (3/17/82)	170,508	+ 1,440	+38,412

Bank Loans

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Commercial and Industrial Loans Weekly Reporting Large Commercial Banks			
Nationwide (3/17/82)	199,942	+ 929	+29,933
New York City (3/17/82)	56,092	+ 432	+ 6,418
Total Loans Gross Adjusted			
Nationwide (3/17/82)	471,299	– 2,811	+47,416
New York City (3/17/82)	108,659	– 1,014	+ 9,123

Financial Markets

	Friday 4/2/82	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	13.74%	+ .26	+ .86
180-Day Bills†	14.13	+ .11	+ 1.67
Longest Bills†	14.05	+ .06	+ 2.01
Recent Issues:			
14¼s 3/31/84	14.24	– .01	
14s 3/31/86	14.20	+ .01	
14⅝s 2/15/92	14.02	+ .10	
14s 11/15/11	13.51	+ .02	
Municipals:			
Bond Buyer—20 Bond Index* (4/1/82)	13.13%	+ .09	+ 2.92
Blue List Total ($ Million)	$ 784	– $ 62	– $ 138
30-Day Visible Supply ($ Million)	$1,935	– $740	– $ 809
Total	$2,719	– $802	– $ 947
Corporates:			
Moody's Aa Composite (4/1/82)	15.12%	– .12	+ 1.25
30-Day Visible Supply ($ Million)‡	$2,956	– $144	NA
Stocks:			
Dow-Jones Averages:			
Industrials	838.57	+ 20.65	– 168.54
Transportation	339.41	+ 7.09	– 99.30
Utilities	110.20	+ 1.63	+ .74
65 Stocks	328.86	+ 7.20	– 63.18
Standard and Poor's 500 Stocks	115.12	+ 3.18	– 20.37
N.Y.S.E. Composite Index	66.22	+ 1.69	– 11.92
N.Y.S.E. Avg. Daily Vol. for Week (000's)	48,324	– 5,412	+ 136

* 46% Taxable equivalent 24.31%.
‡ Series redefined: Historical data not available.
† Bond equivalent.

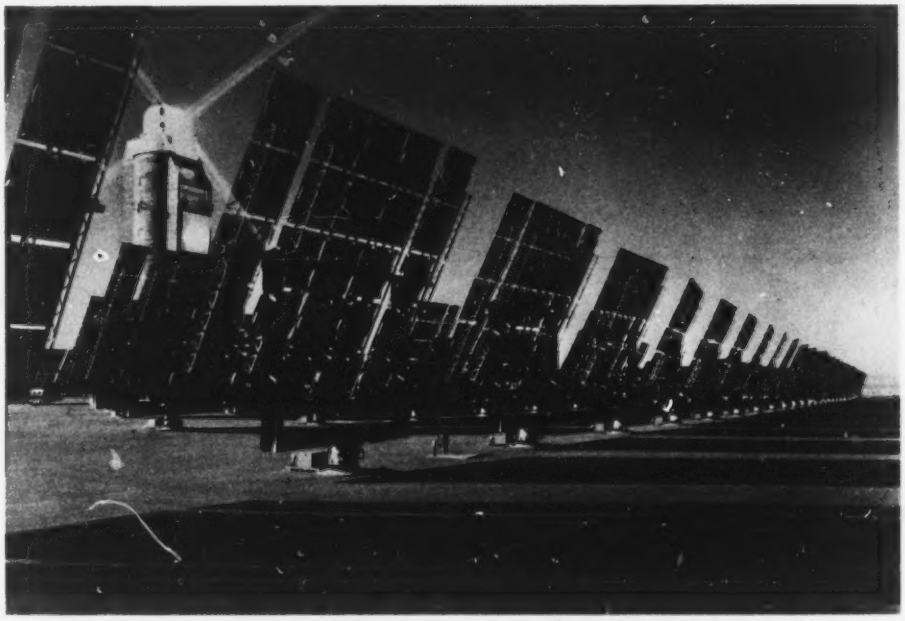
International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 4/2/82	Week Ago
Overnight	15.88%	14.50%
1 month	15.38	14.94
3 month	15.38	15.25
6 month	15.38	15.31
1 year	15.19	15.13
EURODOLLAR BONDS Average Yield		
Medium Term (5 to 7 yrs.)	14.70%	14.65%
Long Term (7 to 15 yrs.)	14.80	14.75

FOREIGN EXCHANGE SPOT RATES New York Opening (4/2/82)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.02209	45.27
Canada	.8164	1.2249
Denmark	.1217	8.2150
France	.1602	6.2413
Germany	.4173	2.3963
Italy	.0007576	1320.00
Japan	.004058	246.43
Mexico	.02193	45.60
Netherlands	.3765	2.6560
Switzerland	.5173	1.9330
U.K.	1.7905	.5585

1982: As of the end of 1981, it stood at almost $200 billion, three times higher than in 1973.

And, of course, no story would be complete without another tale of woe for the Federal government. Since programs for such crops as wheat, cotton and rice offer financial incentives to farmers for reducing acreage planted, any additional acreage cutbacks will boost Federal spending further—certainly an unwelcome prospect during a period in which some fiscal year deficit estimates already exceed $100 billion. ■



Solar testing facility near Albuquerque, New Mexico.

The marketplace demands more power.

Manufacturers Hanover energizes.

A great international effort is underway to find new sources of energy. The task requires dedication, inspiration, innovation, and—not least—financing.

Manufacturers Hanover is helping supply all four.

We have long provided direct financing to utilities and companies for the development of new power sources. And our leasing subsidiary, the world's largest bank-affiliated equipment financing company, supplies attractive alternatives—from financing single pieces of equipment to entire factories.

Credit, however, is only one part of our global commitment. Operations is another.

Intelligent Technology℠ is our innovative new approach to analyzing and managing cash management information. And financial managers in over 40 countries maintain up-to-the-minute control of their cash with TRANSEND®.

Credit. Operations. And the integration of both to create a total financial relationship of the highest standards—anywhere in the world. The marketplace demands it. Consider the source.

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